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Regard

Docket Number SA-00-0000

ORIGINAL

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2000 MAY 15 P 2 Arizona Corporation Commission
DOCKETED

AZ CORP COMMISSION MAY 15 2000
DOCUMENT CONTROL

- 1. Agree
- 2. Disagree
- 3. Neither Agree or Disagree
- 4. Agree
- 5. Disagree
- 6. Disagree
- 7. Disagree
- 8. Agree
- 9. Disagree
- 10. Neither Agree or Disagree
- 11. Disagree
- 12. Neither Agree or Disagree
- 13. Neither Agree or Disagree
- 14. Neither Agree or Disagree
- 15. Disagree
- 16. Neither Agree or Disagree
- 17. Neither Agree or Disagree
- 18.
 - a. Disagree
 - b. Disagree
 - c. Disagree
 - d. Disagree
 - e. Disagree
 - f. Disagree
 - g. Disagree
- 19. Neither Agree or Disagree

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Scott A. Gould

RECEIVED
BEFORE THE ARIZONA CORPORATION COMMISSION

2001 MAY -1 A 11:30

CARL J. KUNASEK
Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

ARIZONA CORP. COMMISSION
SECURITIES CONTROL

In the matter of)
)
SCOTT A. GOULD)
4542 North 52nd Place)
Phoenix, Arizona 85018-3000)
)
Respondent.)

DOCKET NO. S-03275A-00-0000

**NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER FOR RELIEF**

NOTICE: RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

For its proposed order for relief, the Securities Division (the "Division") of the Arizona Corporation Commission (the "Commission") alleges that respondent SCOTT A. GOULD has engaged in acts, practices and transactions, which constitute violations of A.R.S. § 44-1801 et seq., the Securities Act of Arizona (the "Securities Act").

The Division alleges as follows:

I.

JURISDICTION

1. The Commission has jurisdiction over these matters pursuant to Article XV of the Arizona Constitution and the Securities Act.

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1 II.

2 RESPONDENT

3 2. SCOTT A. GOULD ("GOULD"), whose last known address is 4542 North 52nd Place,
4 Phoenix, Arizona was, at all times relevant, conducting business involving the offer and sale of securities
5 within or from the state of Arizona.

6 III.

7 FACTS

8 3. Each of the preceding paragraphs is incorporated by reference.

9 4. The Commission ordered GOULD to cease and desist from violations of the Securities
10 Act on April 5, 1995. That decision, number 59055, also ordered GOULD to make a rescission offer to
11 all investors who had purchased promissory notes ("Notes"). The unregistered Notes had been provided
12 to investors in return for money, which GOULD used to fund construction loans. GOULD was not a
13 registered securities salesman. GOULD consented to entry of the Order and waived the hearing. GOULD
14 was ordered to pay an administrative penalty of \$5,000. That amount was reduced to \$1,000 after the
15 rescission terms were met. GOULD paid \$145,000 in rescission to three investors.

16 5. The subpoena served in reference to the 1995 action required production of records
17 including the Notes. GOULD identified 33 individuals and couples who had loaned him money and
18 received a Note in return. The individuals included his parents, sister, grandmother, close friends and his
19 brother-in-law's family members. GOULD failed to disclose to the Division the names of some investors
20 during its investigation. A number of these individuals have subsequently been identified.

21 6. After the Cease and Desist Order was issued by the Commission in 1995, GOULD
22 continued to borrow money from individuals and to finance construction loans, thereby violating the
23 prior order. The money received from lenders was pooled with other investor funds and used to make
24 loans to commercial builders of single family residences. GOULD provided investors with unregistered
25 promissory notes ("Notes") paying between 10% - 16% for use of their money. The commercial builders
26 are charged interest rates ranging between 18% - 21%. The funds received from investors for the Notes

1 were placed into a bank account in the name of SCOTT A. GOULD and under the signatory power of
2 GOULD.

3 7. GOULD has never provided investors with disclosure documents. Individuals investing
4 money were not given a prospectus, offering circular or any essential information. GOULD simply told
5 investors that their money was "quite safe."

6 8. GOULD was not a registered securities dealer in the state of Arizona during the time the
7 above described offers and sales took place.

8 9. GOULD has borrowed money from individuals, signing Notes that were not registered as
9 securities in the state of Arizona, nor offered in reliance upon an available exemption from registration
10 and not subject to a notice filing.

11 IV.

12 VIOLATION OF A.R.S. § 44-1841

13 (Offer and Sale of Unregistered / Unauthorized Securities)

14 10. Each of the preceding paragraphs is incorporated by reference.

15 11. From on or about January 1993 to July 1998, GOULD offered and/or sold securities in the
16 form of promissory notes, within and/or from Arizona.

17 12. The securities referred to above were not registered under A.R.S. §§ 44-1871 through 44-
18 1875, or 44-1891 through 44-1902; were not securities for which a notice filing has been made under
19 A.R.S. § 44-3321; were not exempt under A.R.S. §§ 44-1843 or 44-1843.01; were not offered or sold in
20 exempt transactions under A.R.S. § 44-1844; and were not exempt under any rule or order promulgated
21 by the Commission.

22 13. This conduct violates A.R.S. § 44-1841.

23 V.

24 VIOLATION OF A.R.S. § 44-1842

25 (Transactions by Unregistered Dealers and Salesmen)

26 14. Each of the preceding paragraphs is incorporated by reference.

1 f) GOULD never disclosed the exact nature and amount of security collateralizing the notes.
2 In particular, he did not tell investors that the loans to construction companies were
3 secured by a mortgage or deed of trust on real estate in his name, and not in the investor's
4 name.

5 g) GOULD told investors that their money was "quite safe" without any basis in fact for the
6 statement.

7 19. This conduct violates A.R.S. § 44-1991.

8 **VII.**

9 **REQUESTED RELIEF**

10 The Division requests that the Commission grant the following relief against the respondent:

11 1. Order GOULD to permanently cease and desist from violating the Securities Act pursuant
12 to A.R.S. § 44-2032;

13 2. Order GOULD to take affirmative action to correct the conditions resulting from his acts,
14 practices or transactions, including without limitation a requirement to make restitution pursuant to
15 A.R.S. § 44-2032;

16 3. Order GOULD to pay the state of Arizona an administrative penalty of up to five
17 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

18 4. Order any other relief that the Commission deems appropriate and authorized by law.

19 **VIII.**

20 **HEARING OPPORTUNITY**

21 In accordance with A.R.S. § 44-1972 and A.A.C. R14-4-306, GOULD is notified that he is
22 afforded an opportunity for a hearing only by filing a written request for a hearing with Docket Control,
23 Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007, within 10
24 days after service of this Notice. GOULD is further notified that a cover sheet must accompany all
25 filings. Failure to use the cover sheet may result in the delay of processing or the refusal to accept
26 documents. GOULD may obtain a copy of the cover sheet by calling Docket Control at (602) 542-3477.

1 The date set for the hearing shall be within 15 to 30 days after the request for the hearing has been
2 docketed, unless otherwise provided by law, stipulated by the parties, or ordered by the Commission.
3 If GOULD does not request a hearing within the time prescribed he is subject to the Commission
4 issuing an order against him containing such relief as the Commission deems appropriate, including but
5 not limited to the relief requested above.

6 Persons with a disability may request a reasonable accommodation such as a sign language
7 interpreter, as well as request this document in an alternative format, by contacting Cynthia Mercurio-
8 Sandoval, ADA Coordinator, voice phone number 602/542-0838, e-mail csandoval@cc.state.az.us.
9 Requests should be made as early as possible to allow time to arrange the accommodation.

10 Dated this 15th day of May 2000.

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13 Mark Sendrow
14 Director of Securities
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